CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 12, 2002

H.R. 5091
Canceling Loans to Allow School Systems to Attract Classroom Teachers Act

As ordered reported by the House Committee on Education and the Workforce on September 5, 2002

SUMMARY

H.R. 5091 would establish two new forgiveness programs for federal student loans. The first is a new discretionary program to allow the Secretary of Education to pay up to $17,500 of federal student loan debt for qualified teachers. The other is a mandatory program requiring the Secretary of Education to discharge or cancel the outstanding federal student loan debt of the spouses and some parents of police officers, firefighters, rescue and safety personnel, and members of the Armed Forces who died or became permanently and totally disabled as a result of the terrorist attacks on September 11, 2001.

CBO estimates that H.R. 5091 would authorize discretionary spending totaling $205 million for fiscal years 2003-2007. Enacting this bill would affect direct spending; consequently, pay-as-you-go procedures would apply. However, CBO estimates that these direct spending effects would be insignificant.

H.R. 5091 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5091 is shown in the following table. The costs of this legislation fall within budget function 500 (education, training, employment, and social services).

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Teacher Loan Forgiveness						
Estimated Authorization Level	--	5	12	24	58	106
Estimated Outlays	--	5	12	24	58	106

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5091 will be enacted near the start of fiscal year 2003, and that funds necessary to implement the bill will be appropriated for each year.

Spending Subject to Appropriation

H.R. 5091would establish a new discretionary program for teacher loan forgiveness. CBO estimates this program would cost $5 million in 2003 and $205 million over the 2003-2007 period.

Subject to the availability of appropriated funds, the Secretary of Education would make loan payments up to $17,500 on behalf of qualified teachers on a first-come, first-served basis. Payments under this program would be in addition to the $5,000 the Secretary is already required to pay on behalf of eligible teachers. However, the combination of payments from both programs for an individual teacher could not exceed $17,500. The payment would be made in a lump sum after a teacher has fulfilled the requirement for five consecutive years of full-time teaching.

All teachers eligible for the current program would be eligible for this new program. First, to qualify for both the current and new programs, teachers must only have outstanding loans from borrowing after October 7, 1998. Second, they must teach in an elementary or secondary school that has more than 30 percent of its students from low-income families and is in a school district eligible for Title I grants. Finally, teachers must have taught full-time for five consecutive years and be deemed to be qualified as elementary school teachers or be secondary school teachers teaching in an area related to their college major.

In addition to the teachers eligible for the existing program, special education teachers in the schools described above could be eligible for the new loan forgiveness program. Such teachers would have to be employed full-time for five consecutive years teaching children with disabilities that correspond to the teacher's training. In making the payments on behalf of teachers, the Secretary would have to give priority to special education teachers, teachers in failing schools, and math or science teachers.

This new program is authorized at such sums as may be necessary for fiscal years 2003 through 2007. The authorization would be extended to fiscal year 2008 under the General Education Provisions Act (GEPA).

Few teachers across the country would be eligible for this new program in 2003. Any teacher who had taken out any federal student loans prior to October 8, 1998, and had not paid them all off in full would be ineligible. Also, by 2003, few teachers whose first loans were made after October 1998 would have completed the required five consecutive years of full-time teaching. CBO expects that fewer than 1,000 teachers—mostly those who borrowed for the first time for teaching certification programs or graduate programs—would qualify for this program in 2003. We estimate that the average amount forgiven in 2003 would be approximately $6,000. Over time more teachers would meet the bill's requirements. By 2007, the number of qualified teachers is expected to jump to approximately 15,000, with about one of every 12 qualified teachers meeting the special education requirements. CBO estimates that the average payment in that year would be nearly $7,200.

CBO estimates the number of participating teachers based on data compiled from numerous National Center for Education Statistics (NCES) reports and studies as well as CBO's projections about student loan indebtedness. These factors include the projected number of future elementary and secondary school teachers, the turnover rates for new teachers, and the percentage of new hires who are recent college graduates. Additional information on the percentage of elementary school teachers who are certified, the share of secondary school instructors who teach subjects related to their college major, and the percentage of these teachers who are likely to be teaching in title I schools also factor into the estimate. Using these data, CBO estimates that the demand for new teachers each year in title I schools would vary each year, ranging from about 60,000 to over 100,000 during the forecast period. CBO anticipates that the percent of newly hired teachers who are recent college graduates will increase each year as the retirement of older teachers accelerates over the next decade. Based on the participation rates in the federal student loan programs, CBO estimates that about half of these teachers will have student loan debt and that their cumulative total debt level will average roughly $13,000. However, many newly hired teachers would not be eligible for this program over the 2003-2007 period because either some of their student loan debt was acquired prior to October 8, 1998 or they would not meet the five-year teaching requirement. Moreover, a portion of this outstanding debt for these teachers would be forgiven under existing law.

Direct Spending

H.R. 5091 would require the Secretary of Education to cancel the outstanding student loan debt of spouses and some parents of certain people who either died or were permanently disabled in the terrorist attacks on September 11, 2001. Loan cancellation would be available for the spouses of police, fire, and other rescue and safety personnel as well as spouses of members of the Armed Forces. This debt would include amounts that the spouse had consolidated with the deceased. In addition, the loans of parents whose child was permanently disabled and the consolidation loans of parents whose child died or was permanently disabled would be canceled.

According to the latest casualty data, fewer than 500 public servants died as a result of the September 11 attacks. In addition, some unknown number of individuals may qualify under the disability requirements for loan cancellation in the future. CBO has not been able to ascertain the student loan debt of survivors who would be covered by this provision, but the number of people affected is likely to be small and CBO estimates that canceling such debts would result in negligible federal costs.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending and receipts. CBO estimates that the direct spending effects of the bill would be less than $500,000 in the fiscal year it would be enacted (either 2002 or 2003), with no effects in other years.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5091 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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